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UNCLAS SECTION 01 OF 03 GEORGETOWN 000196

SIPDIS

COMMERCE FOR ITA/MICHELLE BROOKS

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SUBJECT: GUYANA ECONOMIC ROUND-UP--FEBRUARY 2006

Contents of February 2006 Guyana Economic Highlights:

- [1](#)1. Domestic Economy: Cement Shortage Hampers Construction Industry
- [1](#)2. Inflation Watch: Upward movement in January CPI, domestic sugar prices rise
- [1](#)3. Trade: Rice producers hopeful as international prices rise
- [1](#)4. Investment: GO-INVEST reports heavy FDI in mining, forestry sectors
- [1](#)5. Bilateral Economic Activity: China, Germany, Japan, Argentina

Domestic Economy: Construction Industry Faces Cement Shortage

[1](#)1. A supply shortage coupled with intense demand has led to a near doubling in the cost of cement: from an average of GY\$800 (US\$4) per standard 42.5 kg bag to an average of GY\$1,500 (US\$7) in January 2006. Some retailers are selling cement for as much as GY\$2,000 (US\$10) per bag. Guyana has seen a substantial increase in construction recently, including the construction of a new cricket stadium, a number of hotels, and several housing schemes in preparation for the March 2007 Cricket World Cup. The distributors of cement in Guyana are blaming the inability of Trinidad Cement Limited (TCL) to deliver. In addition, the largest of Guyana's three producers, Mazaruni Granite Products Ltd (MGPL), is in receivership and is producing below half capacity. Beyond importing from Trinidad and Tobago, Guyana is also importing cement from Venezuela. Such imports are becoming scarce in the face of rising regional demand due to construction activities in preparation for World Cup Cricket and also as a result of rebuilding efforts in countries that were destroyed by tropical storms. The GOG has removed duties on cement imported from extra-regional sources in order to alleviate the shortage in the construction industry. However, importers have reportedly been reluctant to take full advantage of this due to the high freight cost associated with importing cement from outside the Caribbean.

Inflation Watch

[1](#)2. The Guyana Bureau of Statistics reported a 1.6% rise in the Urban (Georgetown) Consumer Price Index for the month of January and an increase of 6.9% from January 2005 to January

¶2006. Flooding that began in mid-December 2005 reportedly resulted in the interruption of food supplies to the market; food prices increased 3.3% in January. In particular, prices for vegetables and vegetable products rose by 26.4%, while prices for fruits and fruit products increased 6.5%. This trend follows an inflation rate of 8.3% for 2005.

¶3. The Guyana Sugar Corporation (Guysuco) has confirmed a 10 percent increase in the local price of brown sugar. Guysuco noted that this increase will assist in meeting increasing production costs. The increase in the domestic price for sugar is a consequence of the increase in the international price for brown sugar. It was also noted that the international price for refined white sugar has been increasing. Guysuco noted that since 2003, the company has been gradually effecting price changes to bring the price of sugar on the local market closer to the economic realities of its business, and it remains extremely competitive. According to Guysuco the recently announced 36 reduction to be phased in over the next four years in the price to be paid by the European Union for Guyana's sugar is expected to have a major impact on the revenue stream of Guysuco, which is estimated at US\$40 million.

Trade: International Market Price for Rice up

¶4. Rice farmers could expect an increase in price for their paddy next crop as international market prices rise. According to the Guyana Rice Development Board (GRDB), a reduction in global stock has fuelled